

REQUEST FOR APPROVAL OF COMMUNITIZATION AGREEMENT

Burlington Resources
PO BOX 51810
Midland TX 79710-1810

Township 25 North, Range 52 East
Section 26: ALL
Section 35: ALL
1280.00 Acres
Richland County

State Tract
Section 26: N2NE4, SE4NE4, E2NW4,
SW4NW4, N2SW4, 320.00 Acres
Common Schools Trust = 100%

Burlington Resources has filed a request with the Department for the approval of a communitization agreement to communitize State owned acreage to permit development in conformity with regulations of the Montana Board of Oil and Gas Conservation Commission (BOGC).

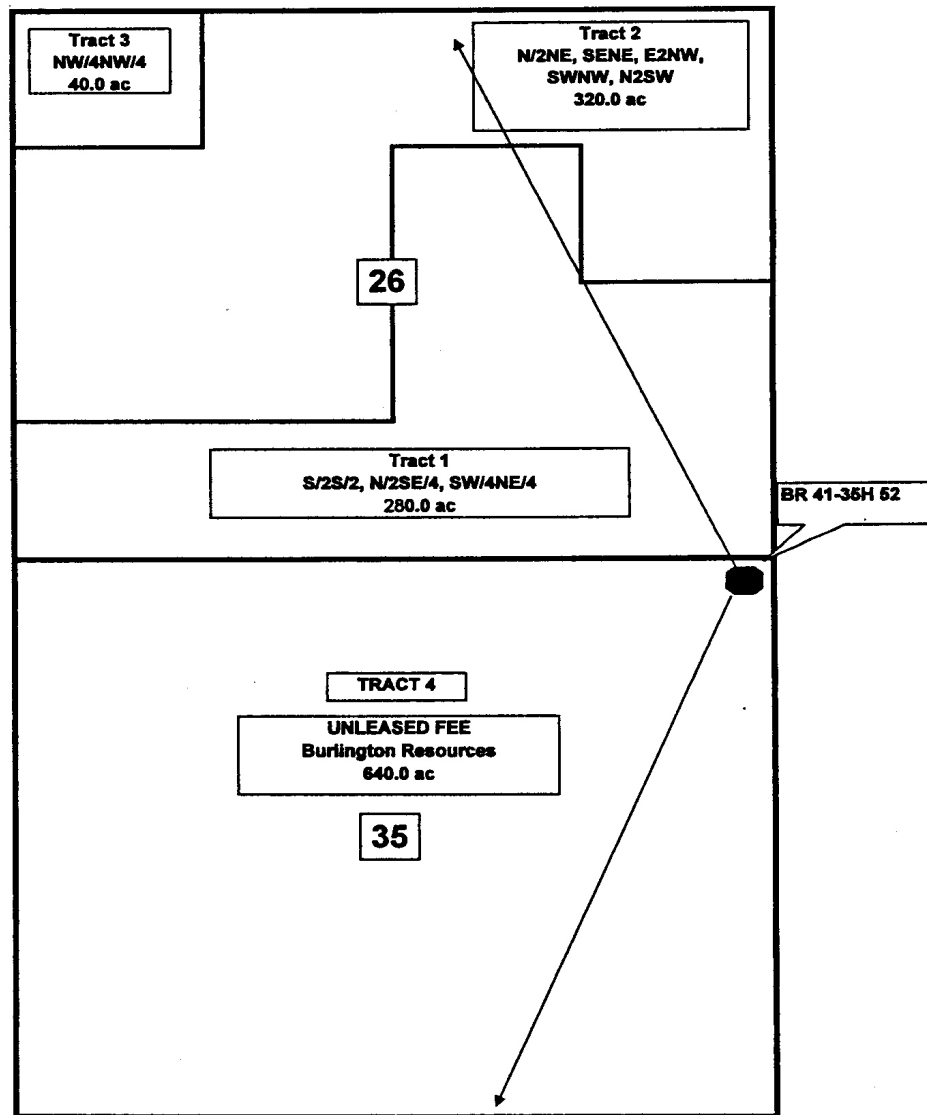
A communitization agreement brings together small tracts sufficient for the granting of a well permit under applicable spacing rules. Communitization agreements are not formed until after a well has been drilled and proven to be productive. The communitization agreement provides for distribution of royalties and must be approved and signed by the Department to be effective. Communitization is important in the prevention of drilling of unnecessary and uneconomic wells which would result in physical and economic waste.

The BR 41-35H 52 well, which is a horizontal Bakken formation oil well, was drilled in the NE $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 35. This spacing unit has a total of 1280.00 acres. The Department owns 320 acres of the 1280.00 mineral acres in the spacing unit that will be communitized. All the mineral owners in the spacing unit will share in the royalty from this well. The Communitization Agreement includes only the Bakken formation in Sections 26 & 35.

The Department's tract comprises 25.0% of the communitized area. The communitized production will be allocated to each tract based upon the relationship of its acreage to the total acreage within the communitized area. The Department will consequently receive 3.25% of all oil production (13% royalty rate x 25.00% tract participation), and 3.125% of Gas production (12.5% royalty rate x 25.0% tract participation).

The Communitization Agreement will allow the State to receive its proper share of production from the spacing unit. Therefore, the Director recommends approval of this Communitization Agreement.

Township 25 North, Range 52 East



Recapitulation

Tract No.	Type	Acres	Tract Participation	Royalty %	Owners Interest Decimal
1	Fee	240.00	21.8750%	16.00 to 20.00%	.035 to .04375
2	State of Montana OG-34396-97	320.00	25.0000%	13.00% Oil 12.50% Gas	0.0325 0.03125
3	Federal	40.00	3.1250%	12.50%	0.0009765
4	Fee (unleased)	640.00	50.0000%	N/A	NA
Total		1280.00	100.0000%		